

Georgetown City Council Budget Meeting
Wednesday May 4, 2011
5:30 pm

The Georgetown City Council Budget Meeting was called to order by Mayor Everette Varney with all members present except Kelly McEuen. Marvin Thompson arrived at 5:39 pm and Bonnie Skinner arrived at 5:42 pm.

Finance Director – Betty Pendergrass

Ms. Pendergrass apologized for some pages that are missing from the budget book she distributed April 25, 2011. Ms Pendergrass will be distributing those pages this evening. Holly Gilchrist was introduced to the council and thanked by Ms. Pendergrass for her assistance during the budget process.

Ms. Pendergrass gave council an overview of the budget book letting them know that the tabs are the key to being able to find what you are looking for. Ms. Pendergrass would like for the council to give each department instructions of what they would like to see happen during fiscal year 2012. It will be her job to see that the departments manage their budgets accordingly.

Ms Pendergrass explained that she does not usually make a budget with two columns but when she presented the “bare bones budget” to the departments they let her know that those numbers would not work for them. Ms. Pendergrass initially thought that we could struggle for one more year but after studying the unemployment rates she does not believe the city can operate with a loss of 2 million in payroll tax and a loss of 4 million in net profit tax.

Ms. Pendergrass included the department request column so that the council could see what each department believes they need to operate efficiently. Interactive worksheets will be used during budget meetings to display changes when numbers within the budget are changed. Ms Pendergrass referred to the letters that have been written by the departments and included in the budget book. She feels these letters are very important and should be taken into careful consideration by the council.

The Community Services worksheet shows a column labeled Mayor. The numbers in this column reflect the amounts proposed by the Fiscal Court in their 2012 proposed budget. The same method was used for the inter-local agencies that receive funds from the city. There has been a 10 percent cut for all inter-local agencies.

Ms. Pendergrass explained the 5 year CIP and that she believes it would more beneficial to borrow money for large items such as buildings and ladder trucks. She explained that such items have a longer life and taxpayers will be paying on these items while they are being used. Ms. Pendergrass would like to refund the city’s variable rate debt. This would improve the city of Georgetown’s credit rating which has been recommended by a financial advisor. She explained that in a given year we can issue 10 million dollars worth of debt. This is in a calendar year. Ms. Pendergrass explained that if we issued \$10,000,000.00 million in December 2011, which would meet bank criteria for bank qualified debt. The city could then issue \$10,000,000.00 in January 2012. During the

2012 fiscal year \$20,000,000.00 would have been issued. The first \$10,000,000.00 would pay some of the variable rate debt. \$8,000,000.00 would go toward the police building which is in the budget. The remaining 2 million dollars would pay more of the variable rate debt. Rates could be fixed so that interest rates are low. The larger bond was refinanced in 2009. This was supposed to be paid off in 2016. The term of the debt has been extended to 2034 and the debt load has increased to 2 and half million dollars. The annual debt service was initially lowered but after 7 years it will increase and we will be paying for a longer time. Councilman Lusby questioned this loan saying the interest rate was very low believing it was 1%. He stated that when this was done the city was \$18,000,000.00 in debt and needed cash flow and that it was a very difficult decision to make. Ms. Pendergrass said that she would check into this again but explained that administration fees and letter of credit charges were added that the council was not aware of at the time raising the percentage rate to 4%. Ms. Pendergrass said that she had a rate schedule from KLC that outlines the old debt and the new debt that she would distribute to council.

Several Council members complimented the finance department on the budget book and the in depth materials it contained. Councilman Penn asked for condensed copy of the budget which would show line item by line item without all the supporting documents. Ms. Pendergrass said that she would get the requested information to the council members.

Human Resources- Rodney Vinegar

Mr. Vinegar explained the challenges for the human resources department sighting benefits and workers compensation as the main challenges in this budget. He referred to the budget assumption analysis page and said that in the budget proposal the increase in medical benefits was 9%. The increase in workers compensation insurance is budgeted for a 7.14% increase. Mr. Vinegar said that the city would be re-bidding the workers compensation contract and he hopes that it will be below 7%. However because the city has had severe and frequent injuries the city is high risk. Mr. Vinegar is also working on a light duty policy which he will present at the next council meeting. This will reduce employee lost time. Councilman Singer asked what the premium was that the city is paying for medical benefits and workers compensation. Mr. Vinegar said the medical benefit premium was \$1,249,900.00 and workers compensation was \$151,100.00

Mr. Vinegar said that he had been working with KLC on training programs. They offer videos and safety modules for employees. Slips and falls are the leading cause of injuries followed by sprains and strains. Mr. Vinegar feels that education is the key to reducing claims along with some type of incentive program. An incentive program would reward our employees when our workers compensation claims are reduced. Mr. Vinegar has asked the directors for ideas about what type of incentives employees would be interested in receiving. A safety committee has also been discussed. Representatives from each department would come together and be educated about preventing accidents in the workplace.

Health care benefits trends are changing due to health care reform. In 2014 the industry is looking for a 2-4 percent increase due largely to being able to cover a dependent up to age 26. The other major trend in benefits is the health saving accounts and health reserve accounts. These are like savings accounts that employees pay in to instead of paying a

premium. If this money is not used then it remains in this account unlike a premium which is lost if it goes unused. Any money saved in this account can be used by the employee in the future for healthcare. There are a number of cities that have switched to this option. Statistics show that 24% of our employees have never used their benefits. They have paid their premium and that money is gone. However if they had been enrolled in an HSA that money would be theirs for future healthcare needs.

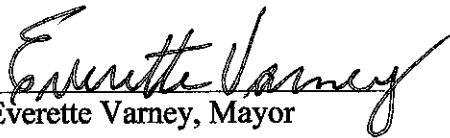
Mr. Vinegar feels that employees and the council could be better educated about healthcare. He would like to move enrollment to a calendar year. This would allow more time for employees to make decisions about their plans, and enrollment would not happen during budget planning. Moving enrollment to a calendar year will also allow spouses, who work, to opt into their own health care plans. Mr. Vinegar expressed concern about the city having to make a decision about accepting spouses on our benefits when they are offered benefits through their workplace. Spouses are 43% of the utilization of our benefit costs.

Employees in all departments recently participated in a survey. Feedback from the survey shows that employees do not understand their benefits. This is concurrent with some of the decisions they are making including a decision to go to the emergency room or going to an urgent care facility. Mr. Vinegar referred to the data that he distributed sighting emergency room visits during a 6 month period of time. There were 37 ER visits during this time. He feels these decisions are made because our employees do not know all of their options. An option that Humana offers is a first call nurse that can evaluate your situation and give a qualified recommendation concerning the illness or injury.

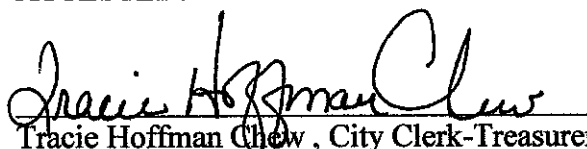
A positive factor concerning our health care is that our average age population is 28.9 and Humana's is 37.5 giving us the advantage of a workforce that is less susceptible to illness and injury. This makes us competitive in the insurance marketplace. Mr. Vinegar also said employees that smoke are usually charged a premium. This is quite common in the private sector as well as in state government. Smokers have been proven to be a high risk. A tremendous amount of cost in the utilization of benefits is related to respiratory illness. This does not necessarily mean these illnesses are due to smoking. Our data shows that 38% of utilization is due to respiratory issues. Mr. Vinegar thinks council should review whether or not all employees should continue to carry the burden of those who smoke or charge only those that smoke. Dental benefits will be similar to last year perhaps with some enhancements. Life and disability may have a 5% reduction in total cost for the city.

Mr. Vinegar believes that we need to focus on creating a wellness program and reward people through reductions in their premiums or contributions to their health savings account. Evaluations can also be given and if passed a reward could be given. Councilman Lusby asked for the monthly charge that employees pay out of pocket. Mr. Vinegar said he would send this information to council. Councilman Lusby made a suggestion about yearly contributions to those employees who choose the HSA. Mr. Vinegar said that this is a decision that can be made if that is what is chosen. Mr. Vinegar reiterated education of all employees and his working on the best plan for the city.

APPROVED:


Everette Varney, Mayor

ATTESTED:


Tracie Hoffman Chew, City Clerk-Treasurer